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A Summary of Current Program 10/1/63

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and Preliminary Report of Progress

for 10/1/62 to 9/30/63

FARMER COOPERATIVE SERVICE

of the

UNITED STATES DEPARTMENT OF AGRICULTURE

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C & R-PREP.

This progress report of U.S.D.A. and cooperative research is primarily a tool for use of scientists and administrators in program coordination, development and evaluation; and for use of advisory committees in program review and development of recommendations for future research programs.

The summaries of progress on U.S.D.A. and cooperative research include some tentative results that have not been tested sufficiently to justify general release. Such findings, when adequately confirmed, will be released promptly through established channels. Because of this, the report is not intended for publication and should not be referred to in literature citations. Copies are distributed only to members of Department staff, advisory committee members and others having a special interest in the development of public agricultural research programs.

This report also includes a list of publications reporting results of U.S.D.A. and cooperative research issued between October 1, 1962 and September 30, 1963. Current agricultural research findings are also published in the monthly U.S.D.A. publication, News for Farmer Cooperatives. This progress report was compiled in the Farmer Cooperative Service, U. S. Department of Agriculture, Washington 25, D. C.

UNITED STATES DEPARTMENT OF AGRICULTURE
Washington, D. C.
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TABLE OF CONTENTS

	Page
Introduction	ii
Area No. 1: Cooperative Marketing	1
Area No. 2: Cooperative Purchasing	17
Area No. 3: Cooperative Organization, Manage- ment and Transportation	25
Line Project Check List	32

INTRODUCTION

The function of the Farmer Cooperative Service is to help farmers build effective cooperative business enterprises to serve their needs in marketing farm products, purchasing farm supplies and obtaining other needed services. The Service conducts economic research, and does educational and advisory work to assist the 3 million farmers who are members of the 9,200 marketing, purchasing and related business service cooperatives.

The Service acquires, analyzes, publishes and disseminates information about farmer cooperatives to further their sound development. Studies are made to improve cooperatives' organization structure, management, financing and operating methods. Marketing research is conducted on methods, costs, processing, distribution and selling of farm products by farmer cooperatives.

The Farmer Cooperative Service has a total staff of 105, including 49 professional economists and 3 marketing specialists. All the staff is located in Washington, D. C. In addition, the Service supervises marketing research contracts equivalent to 1 professional man-year per year.

The three program Divisions--Marketing, Purchasing and Management Services--correspond to the three work areas in this report. Much of the work of the Service is conducted in close cooperation with land-grant colleges, State extension services, State departments of agriculture and banks for cooperatives. Most of these arrangements are informal but some of the research work with experiment stations is conducted under contract. At the present time, the Service has 9 research contracts with land-grant colleges.

Cooperatives represent a major method for meeting the marketing and purchasing problems of family farms and for strengthening their bargaining position. They offer a method by which farmers can increase their net incomes through higher returns on farm products marketed, and savings on supplies and services purchased.

However, rapid and complex changes in agriculture and in related economic activities pose increasingly difficult problems that cooperatives must overcome to achieve these goals. Marketing cooperatives must find ways to consolidate into more effective organizations to meet the requirements of mass merchandising and to strengthen their competitive position. Modern farm operations have greatly expanded the need for production supplies and related business services. Purchasing cooperatives must adjust to changing technology in agriculture if they are to effectively serve farmers' needs.

Cooperatives are constantly confronted with the problems involved in improving their organization structures, the skill and capacity of their managements, and the degree to which membership participation and support can be further increased. In the face of rising transportation costs, they must meet demands for improved transportation services on the products they sell and the farm supplies they acquire and handle for their members.

Some recent examples of progress are as follows:

Strengthening Cooperatives Through Consolidation. Poultry cooperatives are finding it necessary to merge or unify operations to improve services and keep pace with changes in poultry production and marketing. FCS has studied the feasibility of cooperative mergers in California, Utah, and Pennsylvania. Steps are underway by the cooperatives in these States to put merger recommendations into effect. Completion of the consolidation plans will eliminate duplicate services, reduce costs, increase returns to members, and result in stronger bargaining power for poultry producers. Other recent studies have included dairy, artificial breeding, grain and farm supply cooperatives.

Increasing Efficiency of Cooperative Operations. FCS studied costs of grain handling, storage and sideline services, as related to size and type of facility to develop guides for planning efficient plants. These guides highlight the importance of allocating costs to merchandising and storage, selection of type of structure to operation performed, and significance of interest on investment and other cost factors. Findings from the study will assist cooperatives in designing new elevators and equipment to achieve lowest possible operating costs. Other studies recently completed compared costs at single gins and two-gin plants at the same location, and analyzed egg handling costs.

Guidelines for Broiler and Turkey Feed Financing. Farmers are using an increasing amount of credit for broiler and turkey production. FCS studied this type of credit used by selected cooperatives. Results showed cooperatives need to use proven credit procedures and develop complete integrated operations. Guidelines provided in the study will help cooperatives improve financing methods.

Improving Cooperative Motortruck Operations. To fill an information gap on costs, scope of operations, and economic importance of motortrucks operated by cooperatives, FCS made a nationwide study by mail questionnaires. A report of findings gives basic data on number, types, size of trucks, and operating practices of 6,100 cooperatives. Local pick-up and delivery and movements from field to local concentration points is the

major portion of truck mileage. State exemptions are an important factor in these cooperative transportation operations. FCS analyzed these exemptions and issued a report useful to cooperatives in improving operating efficiency of their motor trucks.

Increasing Efficiency of Supply Operations. Changes in farming and distribution of production supplies pose difficult problems for farmer cooperatives. FCS studied the organization and operations of a selected regional supply cooperative and its member associations to determine how services can be improved and costs reduced. Findings emphasized the need for offering a better credit program, updating administrative procedures, establishing a full-time planning and research department, and improving relationships with local associations. Also, local cooperatives could improve operations by closing uneconomic branches, developing better credit control practices, varying pricing practices to suit needs of farmers, and improving relations with farmer members. Results from the study will be helpful in work with other cooperative organizations.

Trends in Growth of Farmer Cooperatives, 1950-60. This study was undertaken to determine whether or not cooperatives are growing or declining in their importance in agriculture and the economy. Data show cooperative marketings since 1954 have increased at a faster rate than agricultural marketings of all farmers. Also, farmers' acquisitions of supplies and equipment through cooperatives since 1952 have increased at faster rates than expenditures for supplies and equipment for all farmers.

Joint Sales Agency Developed. The Service assisted in the organization of a joint sales agency for 11 cottonseed and 7 soybean cooperative oil mills. The association will sell on a joint basis the combined volume of the mills and develop new domestic and foreign markets. Substantial benefits are anticipated in increased returns to members.

Increasing Cooperative Participation in Rural Areas Development Program. Farmer cooperatives are an important device for developing and improving rural areas. In addition to various educational activities, FCS is participating in the Rural Areas Development Program by evaluating technical assistance proposals dealing with production, processing, and marketing of agricultural products, publishing a report on the operations of a forestry marketing cooperative, and conducting studies in three States under contract on cooperative feed yards and slaughter facilities.

AREA NO. 1: COOPERATIVE MARKETING

Problem: Farmers continue to expand their use of cooperatives in marketing the products of their farms. In light of the rapid and complex changes taking place in technology and in market organization and practices, research is needed to help farmer cooperatives and other marketing agencies perform needed marketing services both more efficiently and more effectively. Farmer-directors, managers and others, including the public, need more information to assist in making decisions on how cooperatives can maintain and strengthen the bargaining power of farmers, increase efficiency and reduce costs of marketing, and better meet the needs of our mass distribution system for large quantities of products on a specification basis.

Farmer cooperatives are an important part of the distribution system and represent a major potential for meeting farmers' marketing problems in our modern, dynamic system. They are organized and operated to increase farmers' net income. However, cooperatives face many problems in achieving this goal. Cooperatives must find ways to consolidate volume, for example, through internal growth, merger, acquisition or federation, to strengthen their market position and meet the needs of mass merchandising. Ways must be found to reduce costs by increasing efficiency through improved operating methods, better organization and management, and more use of new technologies.

USDA PROGRAM

The Department conducts a continuing long-range program of basic and applied research and technical assistance on problems of marketing farm products cooperatively. Studies are made on the organization, operation and role of farmer cooperatives in marketing. While most of the research is done directly with cooperatives, the results are generally of benefit to other marketing firms. The work is centered in Washington, D. C. Many of the studies, however, are done in cooperation with various State Experiment Stations, Extension Services, and Departments of Agriculture.

The number of Federal professional man-years devoted to research in this area totals 21.2, of which 1.0 man-years are on the cooperative marketing of citrus, 2.7 to cotton, 3.5 to dairy, 1.0 to deciduous fruit, 0.2 to forestry, 1.9 to grain, 2.6 to livestock, 1.3 to oilseeds and peanuts, 1.0 to potatoes, 2.7 to poultry, 0.2 to rice, 1.0 to sheep and wool, 0.1 to sugar, 1.0 to tobacco, and 1.0 to vegetables.

Research also is conducted under contract with land-grant colleges, universities, cooperatives and private research organizations. During the period of this report, contract research was performed by universities and colleges in Florida, Iowa, Louisiana, Montana, North Carolina, North Dakota and Oregon, and by two private research companies.

In addition, 15 case studies of individual or groups of cooperatives were completed. These were concerned with the improvement of operating methods and the feasibility of coordinating the marketing of two or more cooperatives.

REPORT OF PROGRESS FOR USDA AND COOPERATIVE PROGRAMS

A. Citrus and Subtropical Fruit

1. Coordination of marketing. To provide growers and shippers in the Florida avocado industry with basic information on which to make marketing decisions, a statistical analysis was completed of economic relationships affecting the industry's competitive position, including sources of supply, utilization and consumption, distribution of sales and prices. Based on this analysis, a need for a marketing program which would coordinate harvesting, distribution and promotional activities was indicated. This would involve a consolidation of sales at the grower or shipper level in conjunction with the establishment of a central source of information on production, a marketing information service, a re-examination of advertising and promotional activities, and maintenance of rigid control over quality.

To provide information on methods of improving sales operations, research was initiated to assess the problems and possibilities of various types of joint sales programs that fresh citrus shippers in Texas might use to adjust to changing market conditions.

2. Pooling and pricing. Research was initiated to determine and evaluate the impact of the 1962 freeze on various types of pooling arrangements used in the Florida citrus industry and to provide information to marketing organizations on the advisability and means of adjusting conventional harvest and pooling arrangements to emergency situations. This work is being conducted by the University of Florida under contract.

3. Improved operating methods. To provide growers and shippers with guidelines that will help them adapt to changing marketing conditions, research is underway to determine the nature and extent of large scale buyers' requirements--particularly those made on a specification basis--for Florida fresh citrus.

4. Potentials in cooperative marketing. Work is underway to analyze the present status and trends in the cooperative marketing of fruits, vegetables and nuts, and to evaluate the potential of cooperatives for increasing their operating efficiency and market effectiveness through integration, coordination, consolidation, expansion or other means.

B. Cotton and Cottonseed

1. Cost and efficiency of cotton gins. With costs of ginning cotton continuing to rise, gin owners and managers need information on how they might keep costs at a minimum and improve overall operating efficiency. A study just completed, and in the process of publication, compared the cost of ginning cotton on single gins and two-gin plants at the same location. The major finding of this study was that the cost of ginning at single gins was less than those of two-gin plants when the volume per gin was equal.

A study was initiated to determine costs and economic effects of storing seed cotton in baskets at gins, and by other new and improved methods, and to evaluate these methods as ways of reducing costs of ginning cotton.

2. Cost and efficiency of cottonseed oil mills. Management and members of cottonseed oil mills need information on costs and revenues to adequately appraise their efficiency and to improve their operations. To assist oil mills in locating inefficient operations, a comparative analysis was completed of costs and revenues and other operating results of cooperative cottonseed oil mills.

A study underway will give cottonseed oil mill operators a guideline on how much chemical lint to remove from seed under varying linter prices. Findings of this study are not yet available. Another study underway will determine and evaluate the economic aspects of labor-saving equipment and operating practices that affect efficiency of labor utilization at cottonseed oil mills.

3. Improving operating methods of cotton cooperatives. Cotton cooperatives continually need to improve the operations of their gins, oil mills, compresses, and marketing associations to maximize returns to their farmer-members. Findings of a study completed on cotton cooperatives in Oklahoma show that the 60 cooperative gins in the State handled about 50 percent of the cotton produced, and that many of these gins saved farmers more than \$10 a bale in some years. The lint marketing association has provided growers with a valuable marketing service and sales outlet since 1921. And the cooperative oil mill has earned more than \$3.5 million since 1944 for its members, an average of about \$7 a ton on cottonseed.

A study was made of the oil flow pattern of cottonseed and soybean oil cooperatives to provide guidelines in appraising both domestic and foreign markets. Analysis of soybean and cottonseed oil mills was made regarding the advisability of refining oil on a joint basis. Study is being made of a federation of farm supply cooperatives on the feasibility of broadening its services to include ginning and marketing of cotton, and processing and marketing of cottonseed and soybean products.

In cooperation with the Extension Service of Texas A&M University, Oklahoma State University, and regional agricultural agencies, assistance was given through bookkeeping schools. Results have been that those taking the courses have greatly improved their bookkeeping and managerial competence.

C. Dairy

1. Coordination of marketing. Analysis was completed of the economic feasibility of a coordinated marketing program for dairy cooperatives serving major fluid milk markets in Kentucky and Tennessee. This report analyzes the possibilities inherent in large-area coordination in marketing, and also reveals the methodology required to demonstrate the potential economies and bargaining advantages. The study showed that farmers may obtain substantial savings through a coordinated system for assembling and manufacturing fluid reserve milk. The study also pointed to the need for a pooling system to distribute these savings equitably to all participating dairymen.

A case study was made on the possibility of unifying the operations of two large dairy bargaining cooperatives. The study showed that savings could be made through increased scale of operations, particularly in the manufacture of milk not needed for fluid use. Major gains, however, are expected to be acquired through improved bargaining position and greater market stability. The study also indicated that the greatest stumbling blocks to unification were in the area of non-economic considerations.

2. Pooling and pricing. A report on the pooling status of dairy cooperatives in all Federal order markets was published. This study showed that cooperatives played a key part in the marketing program of Federal order milk pools. In comparison to nonmembers or independent producers, farmer-members of marketing cooperatives far outnumbered nonmembers. They also--through their cooperatives--marketed the major proportion of milk shipped to order markets by performing several vital receiving, processing, transporting, diverting, manufacturing and bargaining functions. Most dairy cooperatives operated in only one Federal order marketing area, although one of

ten associations had expanded marketing operations to include two or more order markets. Three-fourths of the cooperatives serving Federal order markets could be classed as small, having less than 300 members shipping to these markets. Cooperatives have also been instrumental in easing the changeover from can to bulk handling in order markets where, at the time of the study, more than 70 percent of the milk shipped in most regions was bulk tank milk.

3. Merchandising manufactured products - nonfat dry milk. Analysis continued on the study of marketing methods and experiences of cooperatives in selling dry milk. Findings from preliminary analysis indicated that types of nonfat dry milk produced by cooperative manufacturers met users' specifications in sufficient quantities to fulfill demand.

4. Market structure and organization. Highly significant developments in the marketing structure for the procurement, processing and distribution of dairy products have occurred in recent years. To help dairy cooperatives keep abreast of these changes, work was initiated with the North Central Regional Research Committee in a study of adjustments taking place in the structure and organization of the Midwest dairy industry.

5. Improving operating methods and efficiency. A case study was made of the membership dues and marketing fees charged different types of cooperative members by a large sales federation. The study indicated that current marketing conditions call for a change in the relationship between dues and fees to provide equity among members and to develop an efficient sales organization.

A case study made of the operating methods and efficiency of a small milk packaging plant showed that operating problems resulting from declining sales in the existing market may not always be alleviated through the acquisition of routes in a distant market.

A case study was made of a multiproduct cooperative concerning the product mix to best serve farmer-members through its local marketing activities and through the marketing activities of a large sales federation. The study revealed that, in the context of the trends toward diversification of product at the manufacturing level, the dependency of the federation upon one member to provide a certain product requires that that member be able to return to its farmers a price equal to that from production of another product.

A case study made of the feasibility of establishing a small fluid milk bargaining cooperative in a Federal order market served primarily by a large bargaining association indicated that the proposed small cooperative would experience excessive costs in providing a satisfactory service program for its members.

D. Deciduous Fruit and Tree Nut

1. Coordination of marketing. A study was initiated to determine organizational characteristics and operating methods of selected joint sales agencies which market fruits and vegetables for member associations, evaluate their problems and possibilities, and develop guides for other cooperatives interested in a coordinated marketing program.

2. Potentials in cooperative marketing. Work is underway to analyze the present status and trends in the cooperative marketing of fruits, vegetables and nuts, and to evaluate the potential of cooperatives for increasing their operating efficiency and market effectiveness through integration, coordination, consolidation, expansion or other means.

3. Cooperative bargaining. Work is being carried on to provide guides to growers and other segments of the processed fruit and vegetable industry in evaluating the potentials of this marketing method.

E. Forestry

1. Role and methods of forestry cooperatives. A report on the organization, operation and progress of a Michigan forest products cooperative, which illustrates how forestry cooperatives can be effectively developed and used, was prepared and distributed. The experience of this and other associations will be used in preparing a publication on the role and methods of cooperatives in providing management and marketing services to small woodland owners.

F. Grain

1. Coordination of marketing. A case study was completed which recommended the merger of two local cooperative elevator associations in Iowa. A study is underway on the feasibility of two large regional cooperatives in Iowa uniting to better and more efficiently serve the producers. A study of the operations of a local cooperative elevator in Virginia was completed and recommendations made for change and improvement. A similar study is underway of a regional grain

cooperative in Illinois. A case study is underway on the economic feasibility of a large regional farm supply cooperative in Tennessee, setting up a marketing program for soybeans including the operation of local elevators and possibly a processing plant. Work is being carried on with the Agricultural Experiment Stations in the South in studies of grain marketing problems that are peculiar to their area.

2. Cost and efficiency of operations. A study on cost, volume relations at country elevators in the Spring Wheat Area has been completed and copies of the report distributed. A report has been completed on the economics of flat storage at Kansas country elevators in cooperation with Kansas State University. A study of the economics of grain bank operation is almost complete. This is a joint study with the Economic Research Service and is being done under contract with Purdue University. A case study analysis, made of inventory controls, practices and responsibilities at regional grain cooperatives, showed a great deal of variation in the practices and controls being used.

3. Improving operating methods. The accounting problem for cooperative elevator bookkeepers has been revised and used in three schools in the past year. An advanced problem has been designed and will be used in one school in October. The annual analysis of the financial status and operations of the regional grain cooperatives was continued. These organizations are handling an increasing proportion of the off-farm movement of grain with terminal and subterminal facilities at some 130 strategic locations around the country. Many of the newer facilities have been river or port houses and several cooperatives own a sizable number of barges.

G. Livestock

1. Pooling and pricing. Additional findings from a study on the efficiency of pooled sales were published in three reports covering feeder cattle, feeder pig, and veal calf pooling operations. Work is continuing on preparation of reports on lamb and slaughter hog pooling operations.

The veal calf publication reported an estimated 154 market agencies in 10 States were pooling calves. They pooled an estimated 668,000 calves in 1959, over 97 percent of which were in Kentucky, Ohio, Tennessee, Virginia, and West Virginia. Other areas of the country seem particularly well suited to the use of pooling, especially the heavy dairying sections. Market agencies estimated that producers received from \$1 to \$2 a hundredweight more for calves that were pooled than they would have received had the calves been sold singly. In addition to this benefit to producers, it was estimated that market agencies saved an average of 48 minutes a sale by selling

calves in pooled lots. Assuming an hourly operating cost of \$50, these agencies would have saved an average of \$40 a sale, or over \$2,000 a year. This means a total savings of nearly \$300,000 annually for all agencies engaged in pooling.

Work was completed on a study which showed that, while cooperatives are using USDA grades and paying price differentials for hogs only to a limited extent, these practices appear to be increasing. The study indicated the need for encouraging greater use of grades and price differentials to increase quality production.

2. Livestock integration. More and more cooperatives are looking for ways to integrate their operations to help farmers maintain control over their products further in marketing channels and to become a more effective bargaining force in the marketing of livestock. Integration is taking the form of expanded contract production and marketing programs and the operation of livestock feedlots and slaughtering and meat processing facilities. Work continues on a study of methods that cooperatives and livestock producer groups can use to successfully integrate their operations.

Three ARA technical assistance studies were initiated to determine the economic feasibility of establishing cooperative livestock feedyards and slaughter facilities in North Dakota, Montana and Oregon. In these studies, being done under contract with the land-grant colleges in these States, four main factors are considered: Supply of livestock, supply of surplus feed grains, kind of markets available, and availability of competent management and labor. Preliminary manuscripts have been prepared by the contractors on those portions of the studies completed to date. Findings from the studies in these three States will be of value to cooperatives and producer groups in other States having similar characteristics when analyzing the feasibility of integrating their operations.

Studies were made on the feasibility of lamb slaughtering plants in the Pacific Northwest and the Middle Atlantic States, and beef plants in the western area.

3. Improved market procedures in the Northeast. Work is continuing with the Northeastern States through a new project that seeks to determine the market potential for live animals produced in the Midwest, as well as for beef and hog carcasses and fresh pork cuts now slaughtered and cut in midwestern plants. All type of plants and market outlets will be studied.

4. Coordination of marketing. Previous study on the possible advantages of consolidating the operations of cooperatives in California is being continued with analysis of the feasibility of such a move by two associations.

5. Improving operating methods. A study made of the operations of a cooperative cattle feedlot in North Dakota alerted management to problem areas and pointed out ways to increase the efficiency of operations and improve member services. A study was completed, in cooperation with the University of Tennessee, on the possibilities for improving cooperative livestock marketing in middle Tennessee. A report suggesting ways cooperatives in the West can improve their services to livestock producers was prepared from a study of the organization, operations, and services of a cooperative in the Inter-mountain States.

H. Oilseeds and Peanuts

1. Marketing farmers' stock peanuts. Work was completed on an evaluation of present and possible alternative methods of marketing farmers' stock peanuts in the Virginia-North Carolina area. A report was issued on growers' marketing methods, and one on the methods and practices of first-buyers. These studies indicated that peanut-buying is generally a part-time operation, integrated with other services; rapid expansion in efficient bulk handling facilities can be expected; and changes in marketing facilities must reflect the high concentration of small sales per farm and growers' lack of transportation and bulk storage facilities. A third phase of this work examined the economies associated with size and location of bulk facilities and alternative bulk handling techniques. Adjustments in present grower harvesting, storage, transporting and selling practices were suggested, and models to serve as guides in changing from bag to bulk handling were developed. A report covering the results and implications of this analysis and its relationship to earlier work conducted under this project is in preparation. This study has been carried on jointly under contract with North Carolina State College.

2. Efficiency of cooperative soybean processing. Work continues with cooperative soybean processors in attempting to improve efficiency, reduce costs and increase returns to growers. Operating information and problems are discussed at an annual meeting of officials of the cooperatives concerned. Based on the work and experience with these cooperative processors, four requests were handled during the year on the feasibility of constructing and operating processing plants.

Continued to work with directors and officials of a federated sales agency whose membership is made up of cooperative soybean and cotton-seed processors. A sales office has been established in Chicago.

I. Potatoes

1. Improving operating methods. To provide guidelines to growers on improved methods of marketing their potatoes, a survey was made of practices and preferences of important wholesale buyers obtaining supplies from the Eastern Shore of Virginia. In preparation is a report covering trends in production, utilization and marketing, characteristics of potatoes and sources of supply desired by buyers, competitive position of the Virginia industry, and recommendations for strengthening this industry. This work is being done jointly with the Virginia State Department of Agriculture.

J. Poultry

1. Improving fowl marketing. Work continued on a study to (1) examine and evaluate the present fowl marketing situation and (2) find and develop new and potential ways to increase producer returns from fowl. Additional findings on the first objective indicate that fowl pricing is closely related to broiler pricing, although competition and uses are usually unrelated. On the second objective, preliminary findings indicate that fowl prices at the farm may be improved by (1) further processing of fowl into new and convenient consumer products, (2) encouraging a more uniform flow of fowl to market, and (3) bargaining efforts of organized producers with buyers and processors.

2. Pooling and producer payment practices. Research was initiated to (1) determine pooling practices, bases of paying producers, and price differentials for quality, size, volume, regularity and uniformity of delivery of selected egg marketing cooperatives and other country egg handlers; (2) study the effect of size of producer shipments on costs; and (3) recommend improved pooling and more equitable producer payment practices which should lead to larger producer shipments, increased plant volume, and lower marketing costs per unit.

Early findings indicate that (1) pooling and producer payment practices vary widely among egg marketing cooperatives, (2) many cooperatives have adopted policies of producer price differentials, (3) price differentials have usually not been based on actual differences in handling costs, and (4) differences in pooling practices and price differentials are warranted by geographic and other conditions.

3. Improving operating methods. Work continued with cooperatives in various States to assist them in becoming more efficient in operation and more effective in marketing. Work was done with several associations in the Northeast to determine their operating costs in relation

to those of others and to suggest ways to lower unduly high costs. Considerable work has been done in three regions to assist cooperatives with problems of consolidation. Following these unification studies, mergers and consolidations have taken place in California and Utah.

A case study is underway to analyze one of the oldest and most progressive farmer cooperatives serving egg, broiler, and turkey producers. Findings to date indicate that the chief factors making for the growth and success have been (1) able and forward-looking leadership, (2) diversification of operations, (3) initiation and adoption of progressive and timely practices and operations, and (4) adherence to sound business and cooperative principles and practices.

K. Rice

1. Rice storage. Louisiana State University, the contractor, continued to evaluate costs and other economic considerations in drying and storing rough rice in on-farm and off-farm facilities during three seasons, 1959-60 through 1961-62. Preliminary findings based on a partial analysis of the data show that (1) costs of drying and storing rough rice vary with type and size of facility and the extent to which capacity was utilized; (2) the value of rice following drying and storing varies widely among individual facilities of the same type; (3) the value of rice following drying and storing varies little between the multipass and stationary type units; and (4) off-farm commercial driers tend to perform better on grade, and off-farm driers on milling yield.

L. Sheep and Wool

1. Improving operating methods. Work was completed on a study of the operations of a wool marketing cooperative in the Midwest. The report contained information that will be helpful to other wool marketing cooperatives in improving their operations and member services. Information was provided to several wool marketing cooperatives to help lower costs of handling producers' wool through better wool preparation, grading, improved handling facilities, and transportation.

Work was initiated on factors influencing wool marketing decisions of Iowa farmers. This study, being done under contract with Iowa State University, will determine and analyze factors that influence Iowa growers in making their wool marketing decisions, and will develop guides for farmers and marketing firms to use in improving wool marketing efficiency. Results of this study will be applicable to other fleece wool States where marketing problems have hindered the growth of cooperative wool marketing.

2. Analysis of wool pools. Work continued on preparation of a report on findings of a study on the organization and operation of local wool pools in the United States. This method of marketing wool cooperatively appears to be adaptable to many areas of the country where it is not now being used.

M. Sugar

1. Improving operating methods. Information was provided to various producer groups on the production, processing and marketing of sugar beets. Proposed research work on the cooperative marketing of sugarcane and sugar beets was limited by insufficient personnel.

N. Tobacco

1. Improving operating methods. Analysis continued on a study of the organizational and operational features of cooperative loose-leaf tobacco auctions. Preliminary results to date show that a wide variation exists among these associations in terms of members served, volume marketed, investment in facilities and efficiency in use of floor space.

O. Vegetables

1. Improving celery marketing. Work was completed on a study of buying practices and preferences at the wholesale level for Florida and other celery in order to provide guides the Florida industry might use to improve its marketing efforts. Findings indicate that the industry should (1) carry out an internal educational program as a first step toward formulating a long-range marketing program; (2) initiate quality control procedures at the grower level; (3) develop a packaging program to enhance the appeal of the top grades; (4) direct advertising and promotional activities to the wholesale buyer as well as to the consumer; and (5) support further marketing studies, including research to develop celery appearance indices and tests to evaluate arrival condition in the market. Preparation of a final report is underway. Work was done under contract with a private research organization.

2. Potentials in cooperative marketing. Work is underway to analyze the present status and trends in the cooperative marketing of fruits, vegetables and nuts, and to evaluate the potential of cooperatives for increasing their operating efficiency and market effectiveness through integration, coordination, consolidation, expansion or other means.

3. Cooperative bargaining. Work is being carried on to provide guides to growers and other segments of the processed fruit and vegetable industry in evaluating the potentials of this marketing method.

4. Coordination of marketing. A study was initiated to determine organizational characteristics and operating methods of selected joint sales agencies which market fruits and vegetables for member associations, evaluate their problems and possibilities, and develop guides for other cooperatives interested in a coordinated marketing program.

A case study is underway to evaluate and suggest improvements in the organizational structure and operations of a joint sales agency of vegetable processors in the North Central States.

5. Improving distribution of dry edible beans and peas by cooperatives. Work continued on evaluating ways in which selected dry edible bean and pea cooperatives can improve their marketing and distribution effectiveness. Preliminary results indicate substantial savings to farmers when storage is provided at either end of the distribution system rather than at some intermediate point. Additional savings accrue when packaging is performed near the point of production. This work is being done under contract with a private research organization.

PUBLICATIONS REPORTING RESULTS OF USDA AND COOPERATIVE RESEARCH

Citrus

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Cotton

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Campbell, J. D. 1963. Oklahoma Cotton Cooperatives. FCS General Report 108.

Perdue, E. J., and McVey, D. H. June 1963. Co-op Vegetable Oil Men Discuss Aims and Obstacles. Article in News for Farmer Cooperatives.

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Davidson, D. R. 1963. Impact of Dairy Cooperatives on Federal Order Milk Markets. FCS General Report 114.

Davidson, D. R., and Tucker, G. C. Jan. 1963. Benefits Spread by Dairy Co-ops. Article in News for Farmer Cooperatives.

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- Biggs, G. W. Jan. 1963. Vigor Added by Fruit and Vegetable Co-op. Article in News for Farmer Cooperatives.
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Forestry

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Grain

- McVey, D. H. Fall 1962. Grain Co-ops Help All Grain Farmers. Article in Co-op Grain Quarterly.
- McVey, D. H. 1963. Regional Grain Report 1961-62. FCS Service Report 64.
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- McVey, D. H. 1963. How Grain Co-ops Help Main Street. Article in Farmers Union Herald, Feb. 4, 1963.
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AREA NO. 2: COOPERATIVE PURCHASING

Problem: Modern farm operations have greatly expanded the need for production supplies and related farm services. These now represent an annual expenditure of approximately \$4,000 per farm--an amount equal to half of the farmer's cash farm income. Larger farms and increased productivity of agriculture, coupled with changes in distribution practices and the farflung implications of research, confront the 15,000 cooperatives providing production supplies and farm services with new and expanded opportunities for assistance to farm people.

To do an effective job, however, it is imperative that these organizations adjust to changes in agriculture. For instance, changes in production and distribution patterns for farm supplies mean that many of these items bypass traditional distribution systems and move direct from factory to farm. This calls for increased emphasis on finding the most efficient ways to provide such items. As farms have become fewer, they have also become larger and highly mechanized. Thus, basic operating adjustments must be made by cooperatives in providing the growing number of farm services required, such as pesticide spraying, fertilizer spreading and custom feed mixing, production contracts, credit, custom freezing and processing, fire insurance, irrigation, and electricity. Adjustments in organizational structure become increasingly important as cooperatives have opportunities to serve both farmers and urban patrons. The merits of centralized and federated organizations also shift as a result of the urbanization.

USDA PROGRAM

The Department has a continuing long-range program of basic and applied research and technical assistance to help farmers to improve cooperative purchasing of farm supplies and related business services. Research efforts are directed to improving operating efficiency, increasing savings, strengthening cooperatives' services, and providing the specific quality and type of production supplies that modern farming requires. Attention also is given to the impacts of integration and contract farming on the operations of cooperatives and to problems of organization, pricing, and the growing need for mergers.

The work is centered in Washington, D. C. Many studies, however, are conducted in cooperation with State Experiment Stations, Extension Services and Departments of Agriculture.

A total of 7.1 Federal professional man-years is devoted to research in this area. There are 4.0 in farm supplies, 1.4 in farm services and 1.7 in frozen food lockers.

Research is also conducted under contract with land-grant colleges, universities, cooperatives and private research firms. During the period of this report, contracts were in force with the universities of Illinois and Iowa State, and one private research company.

In addition, seven case studies were completed. These were concerned with improving services and methods of farm supply cooperatives and the feasibility of combining the operations of groups of two or more organizations.

REPORT OF PROGRESS FOR USDA AND COOPERATIVE PROGRAMS

A. Farm Production Supplies

1. Feed distribution. Work continued on studies of the feed financing operations of cooperatives. A study of broiler and turkey feed financing of nine cooperatives was completed and a report prepared for publication. Principal findings were reported last year. A study of the egg and replacement pullet feed financing operations by seven large cooperatives neared completion. It indicated that (1) egg and pullet feed financing by cooperatives has not developed at the same rate or magnitude as for broiler and turkey feed; (2) most of the egg and pullet feed was financed on a secured note basis, rather than on a contract basis; (3) losses incurred by the cooperatives through egg and replacement pullet financing plans were insignificant; (4) proven credit practices in selection of growers and careful selection of production areas near feed mills and egg assembly points enabled associations to adjust to changing conditions and operate financing programs most efficiently; and (5) associations with rather complete coordinated production and marketing services realized greater stability and feed volume through their financing programs than those with the least integration. A similar study of the financing of livestock feed by selected cooperatives is underway.

Work was started on an analysis of bulk feed relay depots or transfer stations operated by cooperatives in selected areas of the United States. Emphasis will be placed on type of facilities and practices employed; operating costs; the feasibility of this distribution system compared with other existing systems; and the possible effects this type facility or system will have on continued use of present manufacturing and distribution facilities.

A study was initiated on the operations of local farmer buying groups purchasing feed ingredients in Illinois. This appraisal, being done under contract, will determine the organization of such groups, practices followed, costs involved in their operation, extent of unpaid resources used, and sources and amounts of savings to their members. It also will appraise problems and limitations of such groups and their implication to other cooperatives and firms handling feed.

Limited work was continued on an analysis of methodology for determining the market potential and future trends for various types of commercial feeds in specific areas of the United States.

2. Bulk handling of seed. Work was started on a study of the bulk receiving, distribution, and transportation of seed. Objectives of the study are to determine types and costs of bulk facilities and equipment used, advantages and disadvantages or limitations, and possibilities for further development of bulk handling. Data will be obtained largely from selected wholesale purchasing cooperatives in the East and marketing cooperatives in the West.

3. Fertilizer distribution. A study of selected bulk blending service centers in the Midwest was started. Major emphasis is being placed on the soil sampling, blending and spreading, and record keeping services offered by these soil service centers. In addition, the study will provide information on facilities, operating policies and practices, operating costs, problems and limitations, and benefits to farmers. Preliminary findings indicate that (1) cooperative bulk blending in the Midwest is growing at a rapid rate because of the services offered, the increased interest in broadcast fertilizer application, a lack of local fertilizer manufacturing facilities in the area, and the competitive price of bulk blended fertilizer; (2) service is an essential part of a bulk blending operation and these cooperative plants offer soil sampling, record keeping, cropping and fertilization recommendations, and fertilizer spreading; and (3) managers of the plants were generally crop and fertilizer specialists and considered their major function to be fertilizer promotion.

4. Container procurement methods for fresh fruits and vegetables. An analysis of the systems that cooperative marketing associations use in purchasing, manufacturing, and transporting containers and packaging supplies for fresh fruits and vegetables is being done under contract. The study will determine possibilities for improving services and savings in procurement by analyzing information from regional wholesaling or manufacturing cooperatives and selected local cooperatives on buying practices, transportation methods, problems encountered, and

potentials for pooling purchases or deliveries. It is being conducted in three regions where fresh fruit and vegetable production is of major importance--Florida, California, and Washington.

5. Distribution of other farm supplies. A report issued on the lawn and garden supply operations of selected Eastern farmer cooperatives indicated how these associations were handling this type of items to help maintain volume and services in areas where farming is being replaced by suburban and commercial developments.

Preliminary plans were made for a study of the distribution and application of liquid pesticides in the South.

6. Improving operating methods and organizational structure. Two studies were completed on the farm production supply operations of regional cooperatives. One report gave detailed information on 21 major regional cooperatives handling over \$10 million of supplies annually. In 1961, they served over 3 million farmers through 7,897 retail outlets; sold \$1.1 billion of supplies at wholesale, of which feed accounted for 36 percent, petroleum 30 percent, and fertilizer 16 percent; and realized \$59 million net savings of which half was returned to patrons in cash. Members' equities totaled \$510 million.

A second report covered 135 regional cooperatives handling less than \$10 million in 1960-61. It contained information on their type of services and membership, volume of supplies handled, financial position, and organizational characteristics. It also indicated changes occurring from 1950-51 to 1960-61. These cooperatives directly served 283,000 farmers and 4,350 local cooperative associations with a total of \$232 million of supplies in 1960-61. Of this total, \$150 million was at the wholesale level and \$82 million at the retail level. Their member equities totaled \$47 million. For 76 associations operating in both 1950-51 and 1960-61, wholesale volume increased 54 percent and retail sales 13 percent.

A business and organizational analysis was made of a regional supply cooperative and its affiliated member associations in the East. Findings indicated that services and savings to farmers could be substantially improved by the regional association (1) establishing a full-time planning and economic research department; (2) updating administrative procedures; (3) offering a realistic credit program; (4) determining how nonfarm business could help local supply cooperatives provide efficient services to remaining farmers in areas of increasing suburbanization; and (5) improving relationships with local member associations. Also, some local member cooperatives could improve operations by (1) closing selected branches; (2) studying ways of reducing per unit operating costs; (3) developing better credit control procedures;

(4) working with the regional on pricing and services better adapted to farmers with wide variations in purchases; and (5) conducting studies of farmers' attitudes and use of the cooperative's services. In addition, a study made on how one of the associations might adjust operations and services in an area of increasing suburbanization also analyzed possible savings from closing or relocating some of its branches.

An analysis made of a large local cooperative in the East indicated that it could improve its services to farmers by maintaining better accounting records, analyzing and reducing labor and other costs, enforcing tighter credit controls, requiring full responsibility of the manager for grain operations, formulating job descriptions, establishing vacations and sick leave policies, and defining the role and responsibilities of the board of directors.

A report on the possibility of combining the feed operations of a regional cooperative and another feed company in the West indicated that savings to farmer-patrons could be increased by \$175,000 or more a year. Such a unification would result in better quality control, more adequate field services, and more efficient use of facilities and personnel, would provide capital for building a new mill and would provide more efficient services to farmers in the area. Another study explored the possible impacts and advantages to farmers of a merger of a large regional cooperative and a large feed company.

A study made of a regional supply association in the Southwest suggested ways that it might improve its cooperative structure and practices, improve board of director-manager relations with respect to planning, organizing, directing, coordinating, and controlling functions, and improve services for farmer-members.

In addition, four merger and two business and organization analysis studies of supply cooperatives are underway.

B. Farm Services

1. Rural credit unions. A study of rural credit unions in Southern Indiana was completed and a report published. This study supplements an earlier research project that gave emphasis to rural credit unions in the northern part of the State. Findings showed a rather wide variation in management effectiveness among these credit unions and in membership support. The report suggested a five-step program for strengthening and improving their operations, as follows: (1) Re-evaluate credit union objectives; (2) review operating performance--including an analysis of costs, benefits, rate of savings, and loan delinquencies; (3) place greater emphasis on training for directors,

committeemen, and employees; (4) further develop member education and information programs; (5) plan programs for better service. This suggested five-step program is now being used in educational programs by credit unions in other States.

A case study of a credit union in West Virginia was completed and a report is now being published. The study showed that this credit union, operating in a relatively low income rural area, had successfully stimulated thrift and savings among its members. In a little over seven years members accumulated more than a quarter million dollars in savings. This money is now being used to help meet credit needs in the community. The study indicated that the success of the credit union is due in large part to (1) good management; (2) community acceptance and support; (3) emphasis on thrift; and (4) loan volume of sufficient size to keep the credit union's funds fully employed. In its early days, volunteer labor and office space donated by people in the community helped get the operations off to a good start. This report will provide guides for credit unions in other areas.

2. Group insurance. A study was completed of the Member Health-Life Insurance Plan of a large farm supply and marketing cooperative whose program is unique in some respects and has attracted the attention of other cooperatives. The study showed that 13,000 members of the cooperative are now participating in the plan, and that the program, to a considerable extent, is meeting the members' needs for health and life insurance. The study showed also that a program of this nature is rather costly and somewhat difficult to get started, but once underway is self-supporting. One of the problems that contributed to the relatively high cost during the first year was a high claim ratio. This apparently was due to the fact that some of those who enrolled early had been postponing surgery and other medical attention for economic reasons. During the first year of the program the payment of claims absorbed 75 percent of premium income. The rate has now dropped to 60 percent. If this ratio continues, a patronage refund of about 20 percent can be returned to members in future years.

3. Production services. More than 800 cooperatives located in about 28 States have entered into agreements with local production credit associations in an effort to provide additional and more convenient credit for their members. A study of 34 of these PCA-Cooperative patron financing plans showed that the program has several advantages and some disadvantages for cooperatives. Principal benefits as reported by managers of cooperatives included the following: (1) It provides a means of reducing accounts receivable and thus helps free working capital for other purposes; (2) helps cooperatives meet competition from other firms that use credit as a selling tool; (3) provides a means by

which cooperatives can obtain advice and counseling from PCAs on credit problems, methods and procedures; (4) makes it easier for cooperatives to enforce a strict credit policy, without hardship on those of its members who need credit beyond the accommodation period; and (5) reduces problems involved in collecting outstanding accounts. The principal disadvantage, as viewed by the cooperatives, had to do with the guaranty feature of the plan. They have suggested that the guaranty provision of the plan, if used at all, should be confined to small loans of \$200 to \$500 which the PCAs agree to accept without prior analysis, and that applications which receive prior analysis by the PCA should be accepted or rejected on their own merits, without the cooperative's endorsement.

C. Frozen Food Lockers

1. Cost and efficiency of operations. An appraisal was completed of facilities and operations of frozen food locker cooperatives. The report indicated that cooperatives comprised 5 to 6 percent of firms in the locker and freezer provisioning industry and that locker cooperatives emphasized custom slaughtering and processing in contrast to the industry emphasis on commercial processing and merchandising. Other findings were as follows: (1) About three-fifths of the cooperatives are located in towns of 1,000 or less population; (2) they serve an average of 541 patrons--a 37 percent increase in 5 years; (3) they generally charge lower rates than noncooperatives; and (4) they are tending to increase their commercial operations at a faster rate than the entire industry.

Work is underway in developing methods and data frozen food locker and related small processing firms need for improving facilities planning and product handling. This work, being conducted under contract by Iowa State University, seeks to develop procedures that operators of small processing firms can use to evaluate a market's potential.

2. Merchandising methods. Work is continuing on an appraisal of the influence of credit upon sales volume in locker and freezer provisioning organizations. Credit is an important merchandising tool in the locker and freezer provisioning industry. About one-third of the firms in the industry provide installment credit service and more firms are planning to provide the service.

3. Improving product handling and operating practices. Work is underway on the role and methods of locker and related processing cooperatives in processing and merchandising locally produced food products. This study will determine the role of local processing cooperatives, methods of improving their efficiency, and factors influencing success in the light of rapid economic changes taking place in rural areas.

Two case studies of frozen food locker cooperatives pointed to the need for expanded programs to more efficiently utilize facilities and equipment. Work underway includes evaluation of alternative opportunities for expanding services and activities in these organizations.

PUBLICATIONS REPORTING RESULTS OF USDA AND COOPERATIVE RESEARCH

Farm Supplies

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AREA NO. 3: COOPERATIVE ORGANIZATION, MANAGEMENT
AND TRANSPORTATION

Problem: Cooperatives are confronted to an ever-increasing extent with the problems involved in improving their organization structures, the skill and capacity of their managements, and the degree to which membership participation and support can be further developed. In addition, they are faced with the problems of rising transportation costs and demands for improved transportation services on the products they sell and the farm supplies they acquire and handle for their members.

As cooperatives become larger and more complex, the problem of maintaining effective membership relations becomes still more important and more difficult. It is vital that the communication network within cooperatives among members, directors and employees serves effectively. Only then can the cooperative aspects of the business enterprise be fully maintained and utilized.

Cooperatives are becoming more diversified, especially in combining activities involving marketing, farm supplies and farm services. Information is needed regarding the rates of change and trends in order that cooperative planning and assistance to cooperatives may be based on more detailed knowledge of changes and trends taking place and in prospect.

Farmers look to their cooperatives to provide them with adequate transportation at low cost. There is need to develop methods for reducing product losses in transit; to explore alternate methods of handling and transportation; to improve utilization and efficiency of traffic management services; and to determine costs, scope of operation and economic importance of privately operated motortrucks, if farmer cooperatives are to meet the transportation requirements of their members.

USDA PROGRAM

The Department has a continuing long-range program of basic and applied research and technical assistance to help farmers strengthen the organization structures of their cooperatives, improve their management, build effective membership relations, and develop and maintain efficient cooperative transportation services. Studies are made on financing methods, managerial and director functions, cooperative trends, membership attitudes and communication and transportation methods and costs.

The work is centered in Washington, D. C. Many of the studies, however, are conducted in cooperation with various State Experiment Stations and Extension Services, and Departments of Agriculture.

A total of 7.7 Federal professional man-years is devoted to research in this area. Of this amount, 3.6 is for work on organization and management of cooperatives, 0.5 on membership relations and 3.6 on transportation.

Research also is conducted under contract with land-grant colleges, universities, cooperatives and private research organizations. During the period of this report, contract research was performed by Iowa State University and one private research company.

In addition, four case studies of cooperatives were completed. These dealt with accounting procedures, organization methods, membership structure, transportation and facility location problems, and the coordination of five artificial breeding cooperatives.

REPORT OF PROGRESS FOR USDA AND COOPERATIVE PROGRAMS

A. Organization and Management

1. Financing methods. Work continued on a nationwide survey of the capital structure of all farmer marketing, farm supply, and related service cooperatives listed with Farmer Cooperative Service. It is anticipated that usable information will be available for practically the entire universe surveyed. A preliminary analysis and report will first be made of the information covering the approximately 500 regional cooperatives before work is completed on the locals.

A report was published describing a method for modifying the conventional revolving fund plan used by cooperatives. The proposed modification has particular relevance at this time because it offers possibilities for spreading the Federal income tax burden of member patrons over a few years while adjusting to the impacts of the changes affecting cooperatives and their patrons included in the Revenue Act of 1962. The basic import of the adjustable revolving capital plan, however, is to correct inequities among members in administering the revolving fund.

A study of the problems involved in the event of liquidation of a cooperative market made suggestions concerning the distribution and redemption of patrons' equities and unallocated reserves. Problem areas discussed included the treatment of capital gains; compliance with State laws; and the eligibility of members and nonmembers to participate in the affairs of the association and in the proceeds of a possible liquidation.

A study now underway of a regional grain marketing cooperative will explore possibilities for improving its operations and financial condition.

A report containing information about sections in the Revenue Act of 1962 affecting the tax treatment of farmer cooperatives and their patrons and the tax reporting requirements applicable to such cooperatives was given widespread distribution a few days after the law's enactment. Additional material clarifying provisions of the law and related regulations was prepared in collaboration with the Federal Extension Service and distributed by FES to their State personnel.

2. Management and director functions. A basic reference report covering the management of cooperatives was completed. Its objective is to show how principles of management apply to cooperatives and how they can be used to manage cooperatives successfully. The study emphasizes how the management functions relate to the specific job of managing a farmer cooperative. It discusses the division of responsibilities as between the members, board of directors, and hired management as well as those that are shared by these elements of management. The report includes a worksheet that may be used by cooperatives to evaluate how well their cooperative is functioning.

A study was made of the organization plan and internal control procedures of a butter-powder dairy cooperative, including the duties and responsibilities of the board of directors, the general manager, and key supervisory personnel. It emphasized the need for segregation--insofar as possible--of the authorization, custodial, and accounting functions. It suggested various methods whereby the performance of the association as well as its key personnel may be measured.

3. Methods of merging or consolidating. A study completed of two Ohio artificial breeding associations considering merger potentials examined economic, financial, legal, and organizational problems that applied particularly to the two organizations. The study furnished insight into the difficulties of achieving coordination between strong, well-managed organizations that have operated successfully under divergent distribution policies. Advantages as well as obstacles standing in the way of merger were analyzed in order that their relative importance be understood by officials of both organizations.

4. Cooperative integration. A study of the types and extent of integrated fertilizer services provided for farmers by their cooperatives is underway.

5. Cooperative trends. Statistical information supplied by marketing, farm supply, and related service cooperatives on their business volumes and memberships in the 1960-61 period indicated a continuing upward trend in total dollar volume, a small decrease in memberships, and a continuation of the downward trend in the total number of cooperatives.

The total gross value of farm products marketed, farm supplies handled, and receipts for services performed by cooperatives amounted to almost \$16.2 billion. This represented an increase of 3.5 percent over the \$15.6 billion in 1959-60. Total net volume, after eliminating duplication resulting from interassociation business, amounted to more than \$12.4 billion. This was an increase of 3.1 percent over the \$12 billion of the previous year.

The total number of cooperatives decreased to 9,163 from 9,345 in the previous year. Many of the discontinuances in the period covered by the survey resulted from reorganizations that included mergers, consolidations, and acquisitions.

A study made of trends in the growth of farmer cooperatives in the period 1950-60 indicated that (1) since 1954, the values of cooperative marketings have increased at a faster rate than agricultural marketings of all farmers; and (2) since 1952, the values of farmers' acquisitions of supplies and equipment through cooperatives have also increased at faster rates than expenditures for supplies and equipment of all farmers.

B. Membership Relations

1. Appraising member and nonmember attitudes and participation. This research seeks to identify factors which motivate member loyalty and to learn the most effective way to use such factors.

An analysis was completed of the effectiveness of the member relations program of a federated supply cooperative. Findings indicated that the regional had good lines of communication with the officials of local affiliates, but not with individual farmers; that contact with farmers was made even more difficult because of incomplete member files; that the regional had services available which many members were not aware of; and that member attitudes and participation could be improved if the regional would help its affiliates develop better information channels.

Findings of a study made of a statewide short-term credit cooperative indicated that the cooperative was relying heavily on creating a good public image to bring patronage; that its real image was not well defined in the minds of many potential patrons; and that more effort should be devoted to telling patrons and the public more clearly about the services available.

A study initiated on the use of member contracts for strengthening cooperatives in vertical integration will be handled on an agencywide basis. Work continued on two studies in the Southeast--one of a federated marketing cooperative and another of selected credit cooperatives.

2. Improving communication with members. Research in cooperative communication seeks to find ways of keeping communication channels open and effective. Work has begun on development of teaching materials to be used by those working in underdeveloped areas, both in the United States and in foreign countries. There is need for cooperative teaching material couched in nontechnical language.

C. Transportation

1. Loss and damage to agricultural products in transit. Farmers and their marketing agencies incur millions of dollars of loss each year due to damage and loss associated with the movement of agricultural products from producing areas through the marketing process to final destinations. Such losses must be borne, in part, by one or more segments of the industry.

A study of factors to consider in reducing loss and damage to livestock during transportation by motortruck was completed during the period. The report of findings was designed to help farmers, ranchers, truckers, and cooperative marketing agencies evaluate their trucking facilities to insure proper livestock transport. Factors to be considered include (1) type and adequacy of vehicles; (2) loading and unloading practices and facilities; (3) operating terrain and environment; and (4) number of animals, by specie, that constitute a truckload.

Preliminary findings of a study of grain loss and damage in transit at 75 country and 6 terminal elevators showed that (1) in-transit grain losses per car averaged \$8.94 for barley, wheat \$5.40, corn \$5.10, and sorghums \$4.28, and (2) almost half of the rail cars repaired by the shipper before loading required correction of defects in the floor, with sidewalls and doors accounting about equally for the remaining repairs. A report of findings on the study will show ways grain shippers can average returns of \$6.00 more a car on each car of grain handled, by eliminating loss associated conditions in transportation equipment and practices.

2. Motortruck operations and costs. Little information is available on costs, scope of operations, services and economic importance of motortrucks operated by farmer cooperatives. The scope and extent of the movement of agricultural products by private motor carriers, including farmer cooperatives is one of the important remaining gaps in transportation statistics.

Principal findings of a study completed on motortruck operations of farmer cooperatives include: (1) Farmer cooperatives own or lease an estimated 33,000 motortrucks, (2) 56 percent of the 6,171 cooperatives reporting operated motortrucks, (3) only 10 percent of the trucks reported were tractor-semitrailer units, and (4) 72 percent of the total truck mileage reported consisted of local pickup and delivery and movements from fields to local concentration points.

A study was completed of State regulations pertaining to intrastate operations of motortrucks by farmer cooperatives. As the bulk of cooperative truck operations are local in nature, findings of the study should be helpful to cooperatives in increasing efficiency of their intrastate operations. The study showed that, on intrastate motortruck operations, 18 States have a cooperative association exemption, 35 States have an agricultural commodities exemption and 44 States have a farm vehicle exemption.

Work continued on a study of motortruck operating cost data that have been collected from 23 farmer cooperatives operating fleets of 25 or more trucks with 50 percent or more of their mileage over-the-road.

3. Appraisal of alternative methods of product handling and transportation. Changes in marketing and distributing methods for agricultural products have been accompanied by changes in demand for transportation and handling facilities and services.

A report of findings was completed on a study to appraise possibilities of reducing wool transportation costs by analyzing alternative methods of transporting and handling wool and determining advantages of establishing wool baling and scouring facilities near the source of production. The report shows possibilities in specific areas for reducing transportation costs on wool by locating scouring facilities near the source of production. Detailed data on traffic flow patterns for grease and scoured wool, as well as comparative transportation costs and services, were analyzed. A suggested size standard for wool bales to meet limitations of transportation and handling facilities was also developed and included in the report.

4. Traffic management in farmer cooperatives. Less than 200 of the over 9,200 farmer cooperatives in the United States have traffic management. Yet, over 2 million farmer-members of cooperatives depend on these associations to provide them with adequate transportation at low cost to maximize returns on farm products marketed.

A report was completed on a study of the extent of traffic management in farmer cooperatives. Principal findings, based on questionnaires from 5,168 farmer cooperatives, showed that (1) only 14 percent had

anyone assigned to handle traffic and transportation on either a full or part-time basis; (2) less than 2 percent had anyone assigned to handle traffic and transportation on a full-time basis, and (3) 78 cooperatives with full time traffic management stated the total transportation cost incurred by them for transportation of commodities in 1960 to be about \$245 million, or an average of almost \$3¼ million per cooperative.

A study to identify legal aspects of transportation problems of farmer cooperatives was completed and a report of findings published. The report is a compendium of transportation cases which were reviewed, identified, classified, and presented--by problem areas--for ready reference as a guide to management and legal personnel of cooperatives.

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Line Project Check List -- Reporting Year October 1, 1962 to September 30, 1963

Work & Line Project Number	Work and Line Project Titles	Work Locations During Past Year	Line Proj. Summary of Progress	Incl. in Area & Sub-heading
a-1-1	Research, service and educational assistance for cotton and oilseeds cooperatives			
a-1-1-1 R2	Advisory and educational assistance on current organizational and operational problems of cotton marketing cooperatives	N.Mex., Calif., Ariz., Tex., Ark., Okla., Miss., Tenn., Ill., Wash., D.C.	Yes	1-B
a-1-2	Research, service and educational assistance for dairy cooperatives			
a-1-2-10 R	Advisory and educational assistance to dairy cooperatives on their problems relating to organization, operations, procedures and policies	Miss., Idaho, Ky., Ind., Md., Va., Wyo., Wash., D.C., Alaska	Yes	1-C
a-1-3	Research, service and educational assistance for frozen food locker cooperatives			
a-1-3-4 R2	Frozen food locker and freezer provisioning plants in a national emergency	Wash., D.C.	No	2-C
a-1-3-5 R	Annual report of frozen food locker and related processing plants in the United States	Wash., D.C.	No	2-C
a-1-3-6 R2	Advisory and educational assistance to frozen food locker and related processing and merchandising cooperatives	Ill., Va.	Yes	2-C
a-1-3-8**	An appraisal of the facilities and operations of frozen food locker cooperatives	Wash., D.C.	Yes	2-C
a-1-3-9*	The role and methods of locker and related processing cooperatives in processing and merchandising locally produced food products	Va., Ill.	Yes	2-C
a-1-4	Research, service and educational assistance for fruit and vegetable cooperatives			
a-1-4-15 R	Advisory and educational assistance to fruit, vegetable, and nut cooperatives on organizational and operational problems	Tex., Maine, Pa., Wis.	Yes	1-A-D-I-O
a-1-4-17	Scope and potentials in marketing fruits, vegetables, and nuts by cooperatives	Wash., D.C.	Yes	1-A-D-I-O
a-1-5	Research, service and educational assistance for grain cooperatives			
a-1-5-5 R	Comparative operating efficiency of regional grain cooperatives	United States	Yes	1-F
a-1-5-8 R	Accounting exercises for cooperative grain elevator personnel	Midwestern States	Yes	1-F
a-1-5-10	Comparative operating efficiency of cooperative soybean oil mills	Minn., Iowa., Mo., Ark., Wash., D.C.	Yes	1-F
a-1-6	Research, service and educational assistance for livestock and wool cooperatives			
a-1-6-12 R	Operations and organization of the National Wool Marketing Corporation and affiliated State and regional wool marketing cooperatives	Ind., W.Va., Ill., Iowa, Minn., Mo., Kans., Wyo., Mont., Tex., Calif., Wash., D.C.	Yes	1-L
a-1-6-13**	Improvement of cooperative livestock marketing in Illinois	Ill.	Yes	1-G
a-1-6-16	Organization and operations of local wool pools	Wash., D.C.	Yes	1-L
a-1-6-17	Advisory and educational assistance to livestock and wool cooperatives on their problems relating to organization, operations, procedures, and policies	Iowa., Minn., Tenn., Ala., N.Dak., Wash., D.C.	Yes	1-G-L

Line Project Check List -- Reporting Year October 1, 1962 to September 30, 1963

Work & Line Project Number	Work and Line Project Titles	Work Locations During Past Year	Line Proj. Incl. in	
			Summary of Progress	Area & Sub- heading
a-1-7	Research, service and educational assistance for poultry cooperatives			
a-1-7-12 R	Advisory and educational assistance to poultry cooperatives on their problems relating to organization, operations, procedures and policies	Minn., Iowa, Pa., Calif., Utah, Mass., N.J., Mich., Conn., Wash., D.C.	Yes	1-J
a-1-8	Research, service and educational assistance for cooperatives handling special crops			
a-1-8-5 R	Advisory and educational assistance on organizational and operational problems of special crops cooperatives	W.Va., Va., Calif.	No	1-M
a-1-8-7	The role and methods of forestry cooperatives in improving the management and marketing of forest products from small woodlots	N.Y., Conn., Mass., Pa., W.Va., Md., Ohio, Ind., Ky., Miss., La., Mich., Wis.	Yes	1-E
a-1-9	Research, service and educational assistance for farm supplies cooperatives			
a-1-9-9 R	Annual information on organizational features, operations, and services of major regional farm supply cooperatives	Wash., D.C.	Yes	2-A
a-1-9-18 R**	A summary analysis of the operations of small regional cooperatives handling farm supplies	Wash., D.C.	No	2-A
a-1-9-25 R	Advisory and educational service on current organizational and operational problems of farm supply cooperatives	Ariz., Iowa., Kans., Mass., Pa., Utah., Va., N.J., Wash., Wis., Wash., D.C.	Yes	2-A
a-1-9-27 R	Analysis of effective distribution systems and fieldmen services of regional cooperatives handling farm supplies	Wash., D.C.	No	2-A
a-1-9-30	Analysis of lawn and garden services provided by farm supply cooperatives	Mass., Va., N.Y., N.J., Ohio	Yes	2-A
a-1-9-31	Analysis of farm supply operations of cooperative gins and elevators	Tex.	No	2-A
a-1-10	Research, service and educational assistance for farm services cooperatives			
a-1-10-4 R	Advisory and educational assistance on current organizational and operational problems of farm business service cooperatives	N.Y.	Yes	2-B
a-1-10-5**	Appraising the effectiveness of rural credit unions	W.Va., Wash., D.C.	Yes	2-B
a-1-10-7	Study of rural health cooperatives	Wash., D.C.	No	2-B
a-1-11	History and Statistics of cooperation			
a-1-11-1 R2	Annual statistical survey of farmer marketing, farm supply and related service cooperatives	Wash., D.C.	Yes	3-A
a-1-11-2 R	Maintenance of file on cooperative source material	Wash., D.C.	No	3-A
a-1-11-3***	Trends in the growth of farmer cooperatives	Wash., D.C.	Yes	3-A
a-1-11-4 R	Service and educational assistance in developing and disseminating statistical information on agricultural cooperation	Wash., D.C.	No	3-A
a-1-11-5**	Farmers' equities in marketing, farm supply and related service cooperatives	Wash., D.C.	No	3-A
a-1-11-8**	Current feed manufacturing and distribution by farmer cooperatives	Wash., D.C.	No	3-A
a-1-11-9*	Trends in fertilizer manufacturing and distribution by farmer cooperatives	Wash., D.C.	Yes	3-A

Line Project Check List -- Reporting Year October 1, 1962 to September 30, 1963

Work & Line Project Number	Work and Line Project Titles	During Past Year	Line Proj. Incl. in	
			Summary of Progress	Area & Sub- heading
1101-23**	Comparative efficiencies of single and multiple gin plants as operated by local cooperatives	Calif., Tex. Wash., D.C.	Yes	1-B
1101-24	Evaluating alternative methods and costs of distributing feed in bulk	N.Y., N.J., Mass., Pa., Ind., Iowa	Yes	2-A
1101-25(C)	Physical distribution of dry edible beans and peas by cooperatives	Mich., Colo Wash., D.C.	Yes	1-0
1101-26*	Costs and economic effects of storing seed cotton by improved methods, with emphasis on cooperative gins	Ariz., Ark., Mo., Calif., N.Mex., Tex., Wash., D.C.	Yes	1-B
1101-27*	Labor utilization at cottonseed oil mills	Cotton Producing States, Wash., D.C.	Yes	1-B
1101-28(C)*	Appraisal of the operations of local cooperative buying groups of farmers in purchasing feed ingredients and formula mixed feeds	Ill.	Yes	2-A
3101	Developing more efficient use of transportation services and facilities by farmers' marketing agencies			
3101-9	Improving efficiency in transporting and handling seed by cooperatives and other firms	Pa., Mass., N.Y.	Yes	2-A
3101-10 R2	Relation of transportation and handling practices and conditions in moving livestock from farms to initial destinations and processing plants to loss and damage	Iowa, Nebr., Ill., Colo., Minn., N.D., S.D., Mont., Utah, Wyo.	Yes	3-C
3101-11 (C)	Evaluating transportation costs and charges in handling, storing and marketing wool by cooperatives and others in the United States	Tex., N.Mex., N.D., Wash., D.C.	Yes	3-C
3101-12	Farmer Cooperative Service cooperation in SM-11 "Transportation of Grain and Grain Products in the South"	Southeastern States	Yes	1-F
3101-13	Determination of costs, characteristics and efficiency of transportation of agricultural commodities by farmer cooperatives	N.Y., Pa., N.Car., Md., Minn., Ill., Mo., Calif., Utah, Va., Oreg., Wash., D.C.	Yes	3-C
3101-14	Relation of specific handling practices and conditions to loss and damage to grain in transit to and from country and terminal elevators	Iowa, Nebr., Minn., N.Dak., S.Dak.	Yes	3-C
3101-15*	Evaluation of traffic management in farmer cooperatives	Wash., D.C.	No	3-C
3102	Pricing plans and methods of farmers' marketing agencies			
3102-9	Impact of cooperative bargaining on the market structure and behavior of the processed fruit and vegetable industry	Wash., D.C.	Yes	1-D-0
3102-10	An appraisal of pooling practices used by dairy cooperatives	Wash., D.C.	Yes	1-C
3102-11	Price differentials obtained for hogs sold by cooperatives on the basis of USDA grades	Ind., Ill., Mich., Ohio, Iowa, Mo., Calif., Minn., Wash., D.C.	Yes	1-G
3102-12(C)	Improving the competitive position of Florida celery growers in the wholesale market	Ill., Md., Mass., N.Y., Pa., Wash., D.C.	Yes	1-0
3102-13(C)*	Evaluating adjustments in grower payment methods of Florida citrus marketing organizations as a result of the 1962 freeze	Fla.	Yes	1-A

Line Project Check List -- Reporting Year October 1, 1962 to September 30, 1963

Work & Line Project Number	Work and Line Project Titles	During Past Year	Line Proj. Incl. in	
			Summary of Progress	Area & Sub- heading
a-1-12	Research, service and educational assistance on business administration problems of cooperatives			
a-1-12-14 R	Advisory and educational assistance on current organizational and operational problems of cooperatives	Ohio, Wis., Md.	Yes	3-A
a-1-12-15**	Adjusting farmer cooperatives to the impacts of integration in production and distribution	United States	No	3-A
a-1-12-17	Analysis of financial structure of farmer cooperatives	United States	Yes	3-A
a-1-12-18**	A manual for managers and directors on management of farmer cooperatives	Wash., D.C.	Yes	3-A
a-1-12-19*	Developing educational and interpretive material to assist farmer cooperatives to comply with Federal income tax laws	Wash., D.C.	Yes	3-A
a-1-13	Research, service and educational assistance on membership problems of cooperatives			
a-1-13-4 R2	Preparation of educational material on agricultural cooperation for youth groups	Nebr., Pa., Idaho, Wash., D.C.	Yes	3-B
a-1-13-5 R2	Leader training in cooperative membership programs	Ohio, Pa., Ga., N.C., S.C., Md., La., Idaho, Nebr., Mich., Va., Iowa, Fla., Wash., D.C.	Yes	3-B
a-1-13-12 R	Providing professional advice and assistance on organization and conduct of research in cooperative membership relations	Kans., N.Y., Idaho, Ind.	Yes	3-A-B
a-1-13-13 R	Programs and training projects in agricultural cooperation for foreign nationals	United States	Yes	3-B
a-1-13-14 R	Helping farmer cooperatives to strengthen their membership relations programs and activities	La., N.C., S.C., Ga., Fla.	Yes	3-A-B
a-1-13-17	Extending the use of member contracts to strengthen farmer cooperatives in economic integration	Wash., D.C.	Yes	3-A
a-1-13-18*	Strengthening member and public relations programs of farmer cooperatives in Kansas	Kans., Wash., D.C.	Yes	3-A
a-1-14	Research, service and educational assistance on transportation problems of cooperatives			
a-1-14-6 R**	Analysis of transportation and related costs affecting plant locations and relocations of farmers' cooperatives	Wash., D.C.	No	3-C
a-1-14-7 R	Analysis of transportation costs and related factors in the development of marketing and purchasing programs of farmers' cooperatives	Wash., D.C.	Yes	3-C
1101	Costs and efficiency of farmers' business firms in marketing farm products			
1101-17**	Analysis of pooling livestock at producer markets and terminal markets at which producers sell livestock directly	Wash., D.C.	Yes	1-G
1101-20	Appraisal of feed financing practices by studying operations of farmer cooperatives	Mass., N.Y., N.J., Va., Pa.	Yes	2-A
1101-21	Improving methods of marketing agencies and farmers in procuring and transporting containers and packaging supplies for fruits and vegetables	Fla., Calif., Wash., D.C.	Yes	a-A
1101-22(C)	A study on the economics of drying and storing rough rice	La., Tex.	Yes	1-K

Line Project Check List -- Reporting Year October 1, 1962 to September 30, 1963

Work & Line Project Number	Work and Line Project Titles	During Past Year	Line Proj. Incl. in	
			Summary of Progress	Area & Sub- heading
3102-14*	Study of pooling and producer payment practices of egg marketing cooperatives and others	Mass., N.Y., Pa., Ohio, Wash., D.C.	Yes	1-J
3103	Improving processing and storage facilities and techniques of farmers' marketing agencies			
3103-17**	Economic analysis of flat type storage of grain at cooperative and other grain elevators in Kansas	Kansas	Yes	1-F
3103-18(C)	Recovery costs and sales values of chemical grade cotton lintens at cottonseed oil mills	Tex., Miss., Ark. Okla., Wash., D.C.	Yes	1-B
3103-19(C)	Practices, costs and benefits of grain bank operations at cooperative and other feed mills and elevators	Ind., Wash., D.C.	Yes	1-F
3103-20	Developing methods and data frozen food locker and related small processing firms need for improving facilities planning and product handling	Iowa, Wash., D.C.	Yes	2-C
3104	Improving distribution methods and facilities of farmers' marketing firms			
3104-12(C)**	Improving efficiency of growers and grower organizations in marketing farmers' stock peanuts	N.C., Wash., D.C.	Yes	1-H
3104-14	Alternatives for cooperatives and livestock producers in integrating production and marketing of livestock and meat	United States	Yes	1-G
3104-15	Appraisal of opportunities and development of methods for improving fowl marketing of cooperatives and other handlers	Wash., D.C.	Yes	1-J
3104-16	Developing more effective marketing of fluid milk through coordinated activity of bargaining cooperatives in the midsouth region	Ind., Ky., Tenn., Va., Wash., D.C.	Yes	1-C
3104-18	The influence of changing procurement practices on the marketing of Florida fresh citrus fruits	Fla., Wash., D.C.	Yes	1-A
3104-19	Developing more effective marketing of non-fat dry milk through coordinated merchandising by manufacturing and marketing cooperatives	Wash., D.C.	Yes	1-C
3104-20	An appraisal of the influence of credit upon sales volume in locker and freezer provisioning organizations	Wash., D.C.	Yes	2-C
3104-21	Improved marketing for Virginia white potatoes	Va., Wash., D.C.	Yes	1-I
3104-22	Farmer Cooperative Service cooperation in NEM 28 (Analysis of trends pointing to future consumption and market potential for meats in the Northeast)	Northeast States	Yes	1-G
3104-24(C)*	Factors influencing wool marketing decisions of Iowa farmers	Iowa	Yes	1-L
3104-25(C)*	Effect of grower contracts and patronage policies on sales and operating methods of marketing cooperatives	Wisc., Wash., D.C.	No	1
3104-26*	Organizational structure, operations and potentials of coordinated fruit and vegetable marketing programs	Wisc., Wash., D.C.	Yes	1-D-0
FCS 0-0-1(DC) (C)	Economic feasibility for cooperative liststock feedyards and slaughter facilities	Mont., N. Dak., Oreg.	Yes	1-G

* Initiated during reporting year.

** Discontinued during reporting year.

*** Initiated and discontinued during reporting year.

**** Discontinued 9/28/62.

